

The most common economic myths through the prism of liberal economic schools

Abstract

The thesis analyses the two grand, persisting economic myths - the myth of just price and the myth of immorality of profits, vis-à-vis the work of scholarly economists, mainly of the liberal persuasion. This broad intellectual current of economic thought is represented by the so called Chicago school of economics, represented by Thomas Sowell, and the so called neo-Austrian school of economics, represented by Ludwig von Mises.

The second part of the thesis deals with the myth of just price and its presence throughout our history, from ancient Babylon to today's Venezuela. Since it took almost 2000 years for this myth to be dispelled by economic thought, a brief history of such thought has been incorporated into the thesis, beginning from Aristotle, through Thomas Aquinas to Alfred Marshall. A big part of this brief history is then dedicated to the so called marginal revolution and the effects thereof. The end of the second part of the thesis concerns itself with the thought of liberal economists, whose work was at least partly dedicated to dispelling of the myth of just price and other economic myths. The thesis attempts to illuminate the role of prices, value and other associated economic phenomena which relate to these terms. The aforementioned economists use historical and hypothetical examples to illustrate the drawbacks of implementing the myth of just price into the books.

The third part of the thesis deals with the myth of immorality of profits. The thesis analyses the possible sources of this myth and its other economical aspects, such as the role of the entrepreneur in a market economy, the allocation function of profits or the necessity of market incentives. This myth, due to its nature, overlaps into the sphere of moral philosophy, and such concerns are addressed in the thesis by Ludwig von Mises. In order to attempt to stifle one of the possible sources of this myth, the thesis presents the average rate of entrepreneurial profit.

Keywords

myth, economics, liberalism